

PART 1831

CONTRACT COST PRINCIPLES AND PROCEDURES

(September 2015)

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PART 1831

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Subpart 1831.2—Contracts with Commercial Organizations

1831.205 Selected costs.

1831.205-6 Compensation for personal services.

1831.205-670 Evaluation of contractor and subcontractor compensation for service contracts.

See [PCD 18-04](#) for further guidance related to FAR 15.403-4.

(a) The contracting officer must evaluate the reasonableness of compensation for service contracts—

(1) Prior to the award of a cost reimbursement or non-competitive fixed-price type contract, which has a total potential value expected to exceed the threshold for requiring certified cost or pricing data as set forth in FAR 15.403-4, and

(2) Periodically after award for cost reimbursement contracts, but at least every three years.

(b) The contracting officer must ensure that the reasonableness of compensation is evaluated for cost reimbursement or non-competitive fixed-price type service subcontracts under a prime contract meeting the criteria in paragraph (a)(1) of this section where the subcontract has a total potential value expected to exceed the threshold for requiring certified cost or pricing data as set forth in FAR 15.403-4.

(c)(1) Offerors must be required to submit as part of their proposals a compensation plan addressing all proposed labor categories. Offerors also must demonstrate in writing that their proposed compensation is reasonable.

(2) Subcontractors meeting the criteria in paragraph (b) of this section must be required to comply with paragraph (c)(1).

(d) The contracting officer's preaward evaluation of each offeror's and their subcontractors' compensation should be done as part of, or in addition to DCAA audits, price analyses, or any other means deemed to be necessary.

(e) The results of the contracting officer's evaluation, including any excessive compensation found and its planned resolution, must be addressed in the prenegotiation position memorandum, with the final resolution discussed in the price negotiation memorandum.

(f) The contracting officer must ensure that the reasonableness of compensation for cost reimbursement subcontracts meeting the criteria in paragraph (b) of this section is periodically reviewed after award, but at least every three years.

(g) The results of the periodic evaluations of contractor and subcontractor compensation after contract award must be documented in the contract file.

1831.205-671 Solicitation provision.

See [PCD 18-04](#) for further guidance related to FAR 15.403-4.

The contracting officer must insert a provision substantially the same as the provision at [1852.231-71](#), Determination of Compensation, in solicitations for services which contemplate the award of a cost reimbursement or non-competitive fixed-price type service contract having a total potential value expected to exceed the threshold for requiring certified cost or pricing data as set forth in FAR 15.403-4.

1831.205-32 Precontract costs.

(1) Precontract costs are applicable only to—

(i) Sole source awards, except those resulting in firm-fixed price or fixed-price with economic price adjustment contracts; or

(ii) Awards resulting from broad agency announcements.

(2) The procurement officer is the approval authority for the use of precontract costs. Authorization must be in writing and shall address the following:

(i) The necessity for the contractor to initiate work prior to contract award.

(ii) The start date of such contractor effort.

(iii) The total estimated time of the advanced effort.

(iv) The cost limitation.

(3) Authorization to incur precontract costs must be provided to the contractor in writing and shall include the following:

(i) The start date for incurrence of such costs.

(ii) The limitation on the total amount of precontract costs which may be incurred.

(iii) A statement that the costs are allowable only to the extent they would have been if incurred after formal contract award.

(iv) A statement that the Government is under no obligation to reimburse the contractor for any costs unless a contract is awarded.

1831.205-70 Contract clause.

The contracting officer must insert the clause at [1852.231-70](#), Precontract Costs, in contracts for which specific coverage of precontract costs is authorized.